

The recent NZ Health Partnerships (NZHP) Board Meeting involved considerable discussion about the Procurement Services work plan. Other areas of focus were the National Oracle Solution, Banking and Insurance, National Infrastructure Platform, and the results of our internal People Engagement Survey. NZHP Board Meetings are held every six weeks.

**Today's update includes a summary of:**

- **Procurement Services** - A progress update on the work transferred from healthAlliance (FPSC), upcoming DHB visits, recruitment for procurement roles at NZHP, 2017/18 planning and the novation of supplier contracts.
- **National Oracle Solution (NOS)** - Recent and planned shareholder updates regarding NOS.
- **Insurance and Banking** - Current efforts to mitigate a tenfold increase for DHBs from the Fire Service Levy, as well as the impacts of recent earthquakes and cyclones on material damage and business interruption premiums.
- **National Infrastructure Platform (NIP)** - A summary of progress developing and delivering guidance documents and templates for DHBs as they move to Infrastructure as a Service (IaaS).
- **Food Services** - An update on work underway to reset the food contract to ensure it is fit for purpose and drives improved service outcomes for participating DHBs.
- **Benefits Reporting** - An update on Benefits reporting audit visits.

## Key Upcoming Dates

Date	Event or Activity
14 June	Food Services Approvals Group Meeting
15 June	DHB Chairs and Chief Executives' Forum
22 June	Food Services Strategy Group Meeting
27 June	Joint Procurement Authority Meeting
30 June	NIP Programme Close (planned)
5 July	NZHP Board Meeting in Auckland

# PROGRAMMES & SERVICES UPDATES

## PROCUREMENT SERVICES

Status: **GREEN**

CE Sponsor: Dr Nigel Murray, Waikato DHB

NZHP Procurement Services has been operational for four weeks. Much of the focus has been, and will continue to be, on reviewing and progressing the work in progress (WIP) transitioned from healthAlliance (FPSC). NZHP aims to have as much of this as possible completed by 30 June.

### WIP Summary

At present there are:

- 13 national procurements for 2016/17 in progress and expected to be completed by end-June
- 26 national procurements for 2016/17 (as per the aligned annual plan) that have either not commenced, are behind schedule and/or are not sufficiently progressed to be finalised by end of June
- 10 national and local procurement activities that have or will necessitate new or additional work
- 8 national and local contract 'hygiene' activities (eg reviews of right of renewals) underway
- 47 local DHB procurements and projects, with 15 of these agreed for return to local DHB management (as outlined in the sector Procurement Operating Model).

### DHB Visits

NZHP's senior procurement team has started visiting DHBs with a trip to Christchurch on Tuesday 24 May to meet the Procurement Leads from the South Island's five DHBs.

Making connections, discussing the roles and responsibilities of NZHP and the DHBs, the WIP, local procurements and any issues to date are being covered. Meetings are scheduled with all other DHBs over the coming weeks. Visits will also be arranged with individual DHBs in the South Island if they wish.

DHBs will be visited by two of the following three senior leaders:

- Acting GM Transition and National Procurement, Derek Lyons
- Acting Manager - National Procurement, Neil Wilkins
- Manger Strategic Relationships, Peter Blackwell.

### Recruitment

External recruitment for the remaining procurement roles at NZHP has commenced. We've engaged a recruitment agency to help as well as posting the roles on our website. Please [click here to view the roles on our website](#).

Our focus is to recruit a greater degree of specialists to ensure best practice as we move from the phase of managing transition work to designing and implementing the new, more strategic procurement approach to collective procurement as set out in the Operating Model. We have referenced Ministry of Business, Innovation and Employment's competency framework in designing the roles.

A note on the roles we are seeking to fill has been sent to Procurement Leads and DHB GMs HR with a link to the job descriptions. Applications from DHBs would be most welcome in line with the goal of building joint capability across the sector.

## 2017/18 Aligned Planning

The sector's 2017/18 Aligned Procurement Plan has been approved by the Joint Procurement Authority and NZHP Board. It will now go to DHB Chief Executives for final approval. The Plan includes a continued focus over the next 12 months on tidying up contracts that are due to expire, ensuring costs are minimised, and working to manage supply risk for DHBs.

## National Supplier Contracts

Progress is being made novating national supplier contracts to NZHP. We have received approximately 55 per cent of signed novation letters and we're working actively with suppliers to complete them all.

## Agency Agreements

Work to obtain authority for NZHP to act as the DHBs' agent commenced in early-May. NZHP has received a number of responses from DHBs with the remaining anticipated in by early-June.

## Helpful Links

[Supplier's Page - frequently asked questions and other relevant information on NZHP website](#)

[NZHP DHB Procurement Service Contact List – on InfoSite \(only accessible from a DHB computer\)](#)

## NATIONAL ORACLE SOLUTION (NOS)

Status: **RED**

CE Sponsor: David Meates, Canterbury and West Coast DHBs

DHB Chairs and Chief Executives were advised on 18 April that the NOS programme will not deliver to the target 'go live' date of 1 July 2017 for the first wave of DHBs. Work is currently underway to develop the revised timeframes and costs for the programme.

An independent quality assurance (IQA) process is underway to validate the revised approach, timelines, costs and risks to enable DHBs to make an informed decision about the future of the programme. The IQA is expected to be completed on 30 May.

A teleconference with DHB Chairs, Chief Executives and CFOs is being scheduled for early June, with a more comprehensive update and discussion planned at the Chairs and Chief Executives' Forum in Wellington on 15 June.

## COLLECTIVE INSURANCE

Status: **GREEN**

CE Sponsor: Nigel Trainor, South Canterbury DHB

## Insurance Costs

The sector's broker Marsh is discussing the potential impacts of recent earthquakes and cyclones on material damage and business interruption premiums with the lead insurer Vero.

Vero has indicated it is seeking a 30 per cent rise in rates across its entire New Zealand portfolio.

However, Marsh has indicated the increase for DHBs and associated entities is likely to be about 5 per cent, with no change to the policy terms and conditions such as deductibles. The considerable savings, while provisional, are obtainable because of the scale of the DHB Collective as well as the detailed risk information provided by Marsh.

## Fire Service Levy

In mid-April, NZHP made a submission to exempt DHBs from the proposed Fire Service Levy (FSL) that would see the collective cost increase nearly tenfold.

A working group of three DHB CFOs, a specialist advisor, Marsh and NZHP's senior leadership developed the submission. We specifically requested that the health sector be excluded given it is a fundamental part of the country's infrastructure and the health and wellbeing of New Zealanders cannot be compromised.

NZHP continues to work with the Ministry and Treasury to advocate for the sector's interests.

### Background to the Levy:

- A change to the methodology for FSL calculation in May 2015 saw the collective cost for DHBs increase from \$340k (2014 collective renewal level) to \$3.5m per annum.
- In the 2017/18 financial year the proposed change to the levy rate from 8.6c to 10.6c per \$100 will see a 39 per cent increase in costs - based on DHBs' 2016 Insured Material Damage levels. Although not specifically quantified, it is believed that this will have a similar impact on the NGO health sector which DHBs also fund (ie Aged Residential Care facilities, General Practice, District Nursing, Pharmacy, Health Emergency operators etc).
- A further proposed change in 2018/19 to the manner in which the levy is applied creates a potentially much more significant financial impact on DHBs. The proposed new methodology is estimated to cause a further \$37.5m (750 per cent) of cost, over and above the proposed rate increase.

## SHARED BANKING

Status: **GREEN**

CE Sponsor: Nigel Trainor, South Canterbury DHB

At our March Board meeting NZHP approved the supplier recommendation report for circulation to shareholders. The report recommends the appointment of BNZ as the sector's provider of Banking & Treasury Services. The supplier recommendation report was the result of a thorough procurement process and involved the analysis of bids from suitably qualified New Zealand registered banks.

Over April and May, 17 DHBs and two subsidiaries approved the sector appointing BNZ as the sector's banking and treasury services provider. The boards of the remaining DHBs and a subsidiary will discuss the Banking and Treasury Services' supplier recommendation report by Friday, 2 June.

## NATIONAL INFRASTRUCTURE PLATFORM (NIP)

Status: **GREEN**

CE Sponsor: Kath Cook, MidCentral DHB

NZHP continues to work with 12 DHBs and two Shared Services Providers through the National Infrastructure Platform (NIP) Programme. The re-scoped Programme is developing guidance documents and templates for these DHBs to use as they move to the Cabinet-mandated Infrastructure as a Service (IaaS). The Programme closes on 30 June.

The core Programme deliverable is a document suite comprising 13 white-paper-style guides. The following have been released in draft form:

- Service Establishment (SE) Planning - defines the process and decisions to be made
- Wide Area Network (WAN) Options - high-level connectivity options to suit DHB size and complexity
- Disaster Recover Options (DR) – definition of DR building blocks per provider

- IaaS Usage Guide – Datacom – covers main components of provider’s IaaS solution
- IaaS Usage Guide – Revera - covers main components of provider’s IaaS solution
- Backup Optimisation – how to approach backup in IaaS and reduce costs
- Risk Assessment – current state assessment guidance and areas of risk during the move to IaaS.

The documents are designed to support DHBs to understand the complexity of moving to IaaS while posing questions to help project teams make decisions and solve problems. The documents use information gained from existing IaaS customers, IaaS Service Providers (Datacom and Revera) and the expertise of those with years of experience in the IaaS space.

## FOOD SERVICES

Status: **AMBER**

CE Sponsor: Jim Green, Hauora Tairāwhiti DHB

NZHP has advised Compass that it wants to review the Terms and Conditions of the Food Services Agreement (FSA) to better reflect participating volumes and drive improved service delivery.

Transition to a revised FSA-only governance group, known as the FSA Contract Management Group, is also underway. The group’s first meeting is expected to be held in July. A second governance group will be established for the wider sector to focus on national consistency and food specifications across all DHBs, regardless of the supplier.

## BENEFITS REPORTING

Benefits reporting audit visits have been scheduled with six DHBs in late May and early June. The purpose of the visits is to review a sample of 2016/17 reported financial benefits to help validate the processes and the data.

After 30 June, all DHB CFOs (or equivalent) will be requested to sign off their year-end DHB Benefits Report. Please let us know if we can assist you to meet your benefits reporting sign-off. You can contact Lisle Clements by email: [lisle.clements@nzhealthpartnerships.co.nz](mailto:lisle.clements@nzhealthpartnerships.co.nz).

\*Please note the status (green, amber or red) of each programme and service relates to activities in the Annual Plan.

## Need More Information?



[www.nzhealthpartnerships.co.nz](http://www.nzhealthpartnerships.co.nz)

DHBs: [www.nzhealthpartnershipsprogrammes.co.nz](http://www.nzhealthpartnershipsprogrammes.co.nz)



Steve Fisher

GM Communications & Engagement

[steve.fisher@nzhealthpartnerships.co.nz](mailto:steve.fisher@nzhealthpartnerships.co.nz)